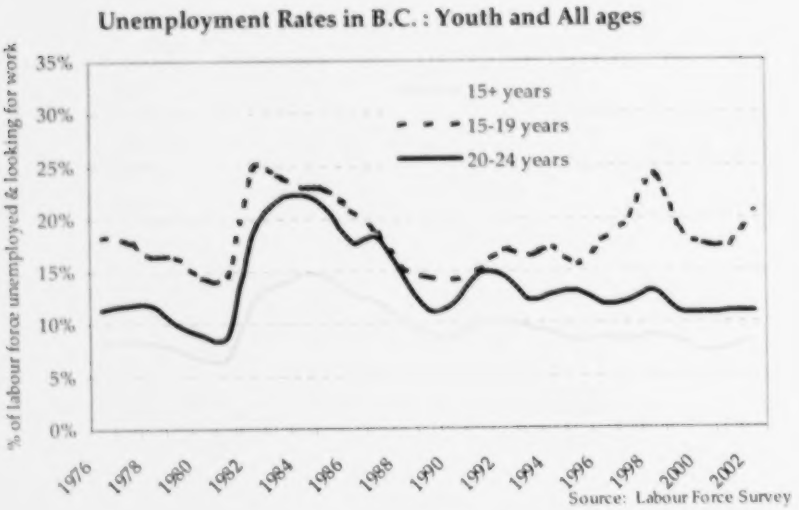
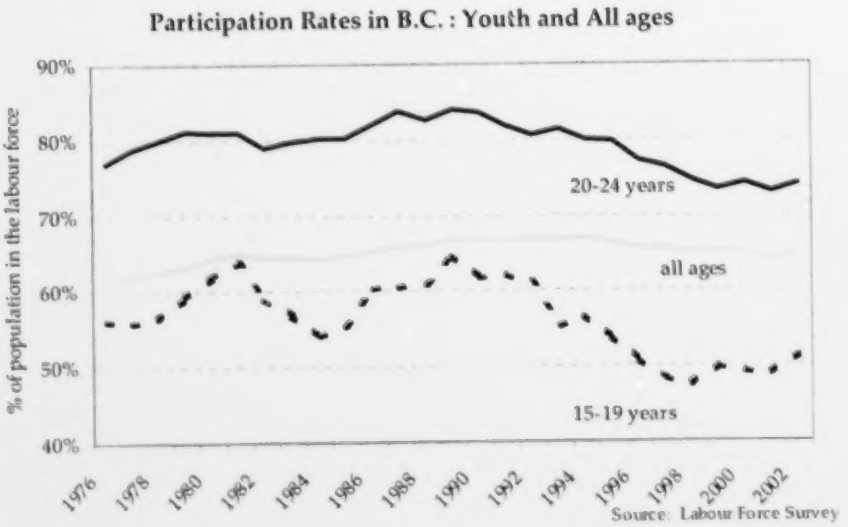
What is the state of youth unemployment in B.C.?

Youth unemployment rates are, and always have been, higher than those for the total labour force. Over the last decade, the gap between those 15-19, in particular and the rest of the labour force, has been widening.



What other factors are influencing youth unemployment?

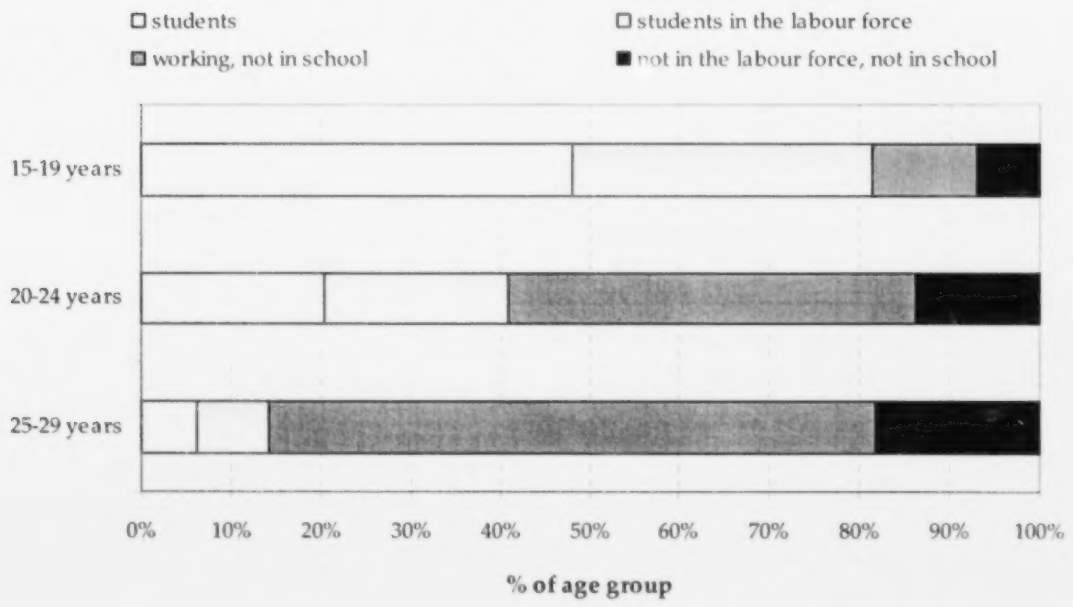
Fewer youth are participating in the labour market. While labour force participation rates among the entire labour force have remained steady over the past decade, youth participation rates have declined by 10 percentage points for 20-24 age youth, and 15% for high school age youth.



What else have youth been doing?

- Some have been going to school – the most dramatic increases in school participation has been among youth 20-24 going to college or university. There has also been an increase in the number of high school aged youth in school – this is being reflected in the rising age of "dropouts". There are fewer "dropouts" from high school, and they tend to stay in the school system later than they did in two decades ago.
- By the time youth are age 25-29, 82 percent are in the marketplace in some way – either working, going to school, looking for work, or some combination. Approximately 18 percent are not in the marketplace, and have fallen out of the labour market at key transition points through their teen and early adult years. This is a full 5 percentage points above the levels seen in Alberta.

Activities of youth ages 15-29 years old in B.C. in 2002



Source: Labour Force Survey

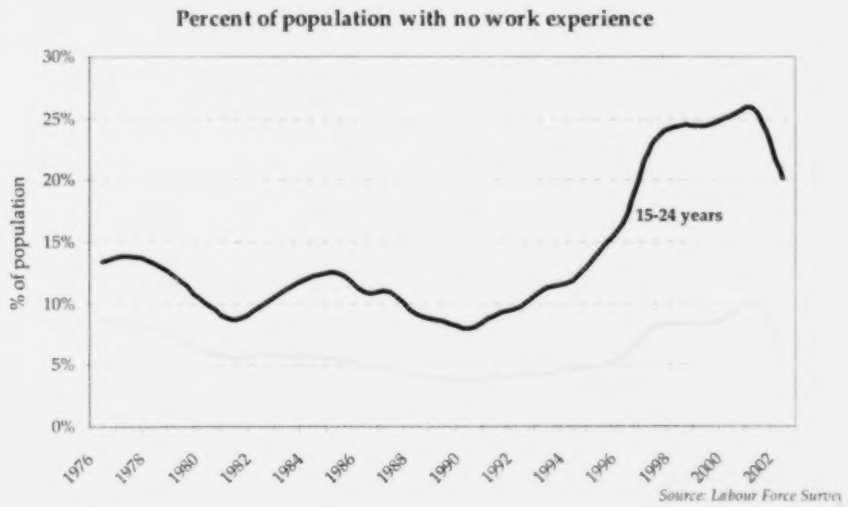
Self-employment

Not very many youth are self-employed in B.C. In 2002, approximately 374,900 people were self-employed, and only 4 percent of those were between the ages of 15 and 24. Starting a small business, even a small one requires some degree of capital and a

network of contacts on which to begin building a client base – both of which youth do not have to the degree that those 25 years and older will have. Most self-employed persons in B.C. are between the ages of 35 and 44.

A growing proportion of youth are not participating in the labour force.

- The incidence of youth not in the labour force, and with no work experience has increased dramatically over the past decade. In 2002, one in five B.C. youth ages 15-24 indicated they were not in the labour market, and had no work experience. Delaying entry into work, even on a part-time or temporary basis, makes it more difficult to transition smoothly into work at a later date. Many of the soft skills that employers are asking for (teamwork, attitude) are skills that are gained on-the-job, rather than in a classroom setting.



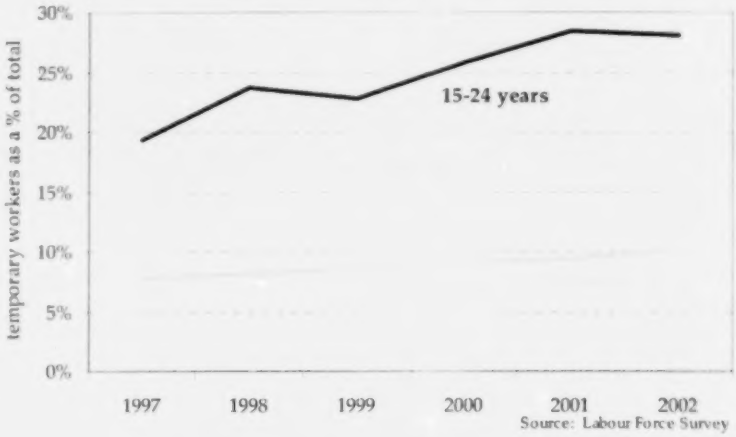
What kind of work are youth getting?

- Fewer youth are working full-time than in the past, although 3/4 of youth working part-time are doing so voluntarily.

For some youth attending school, part-time work is an important source of income.

- More youth are working on a temporary basis – more than double the rate of workers who are 25+ years. Furthermore, the gap appears to be widening. 1 in 4 young workers is employed as a temporary worker – a significant number of these, because they are employed as casual/on call workers.

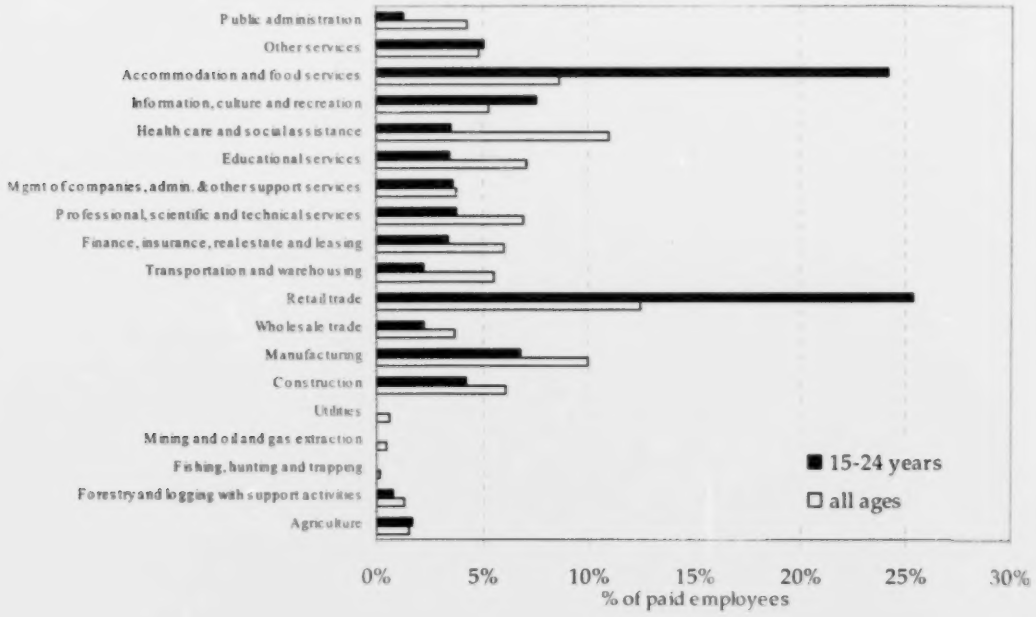
Incidence of Temporary work in B.C. 1997-2002



Source: Labour Force Survey

- More youth are working in service sector occupations. In 2002, 50% of young people 15-24 were employed in retail trade, and accommodation & food service industries, compared with 21% for all workers. These are currently sectors with

Distribution of Employment by Industry in B.C. -- 2002



lower average weekly wages, and higher than average job turnover rates.

Implications

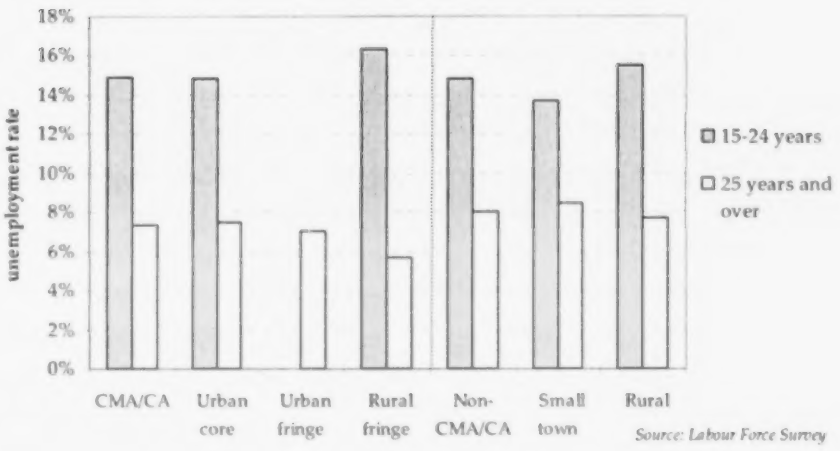
- The picture that emerges from the above information, points to a fragmentation of the youth population – there is no "typical" youth experience. Increasingly, there is a core group of youth who appear to be doing well – in terms of attending school, accessing financial support, participating in the labour force and getting work experience. There is, however, a subset of youth who are not doing well – they are not attaching to any of the social or economic institutions that will help propel them into self-sufficiency in adult-hood, and the reasons behind that are varied.
- We are entering into a period where, in the next 10 years, the size of the cohort leaving the labour force will outweigh the size of the cohort entering the labour force. This is of concern, as much of B.C.'s economic growth over the past decade, has been propelled by expansions in the labour force, rather than dramatic increases in productivity. Productivity gains will take time to achieve, in the meantime, continued expansion in the labour force would be necessary to bolster economic growth.
- We know that some of these young people can be reached, and integrated into the labour market – approximately ½ of all high school dropouts eventually complete high school through "second chance" programs. In an era of limited financial resources however, the cumulative costs of re-educating and re-skilling potential workers should be a source of public policy examination.
- Jurisdictions such as Ireland have identified as part of their economic plans, the need to tap into all potential sources of labour supply. For them, this includes intensive work with long-term unemployed, and more preventative measures for youth who they seen on the unemployment register.

What is the picture throughout in B.C.'s regions?

Youth, as with any other age group are concentrated in urban areas of the province. As with all other age groups, more than ½ of youth live in the GVRD or Capital Region. Unemployment is an issue that disportionately affects non-metro regions of the province, and youth are faced with finding work in tight labour markets throughout the province. Perhaps the only exception being in the Peace River district, where unemployment has been low due to job in the oil and gas sectors, and spin offs in construction jobs.

There are indications that youth do not pick up work readily, even in tighter labour markets. As seen in the chart, youth in the rural fringes of metro areas of the province face unemployment rates higher than youth living in the urban core. Youth who choose to remain in non-metropolitan small towns appear to have lower unemployment rates than youth in the urban core; however, youth are continuing to migrate out of small towns, and into urban areas such as Vancouver.

Unemployment rates by Urban/Rural in B.C., 2002

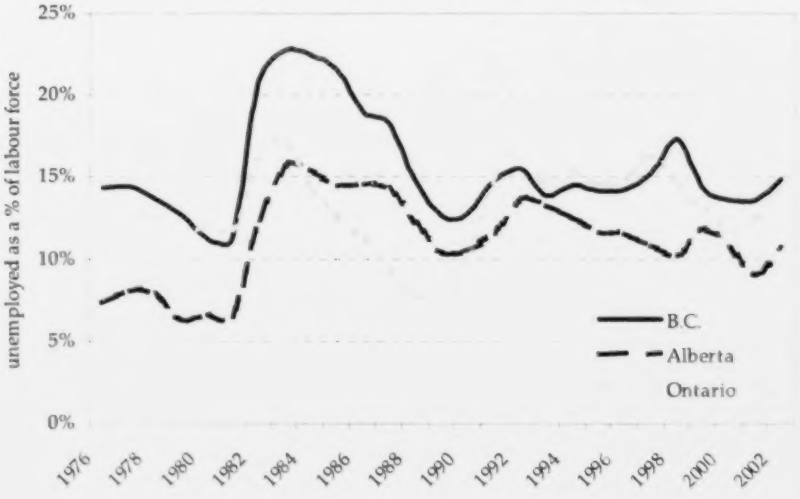


This is also evidenced by a disproportionate number of youth receiving income assistance, living outside of the GVRD. The average incidence of youth receiving benefits is heavily weighted upwards by a higher than average incidence of welfare use by youth 19-24, in almost every single Regional District outside of the GVRD.

Is B.C. different than anywhere else in Canada?

While youth unemployment rates in B.C. are higher than for other workers, this trend holds true in other provinces. In the case of B.C.. overall unemployment rates tend to be high compared with provinces such as Alberta

Youth Unemployment Rates in B.C. and selected provinces

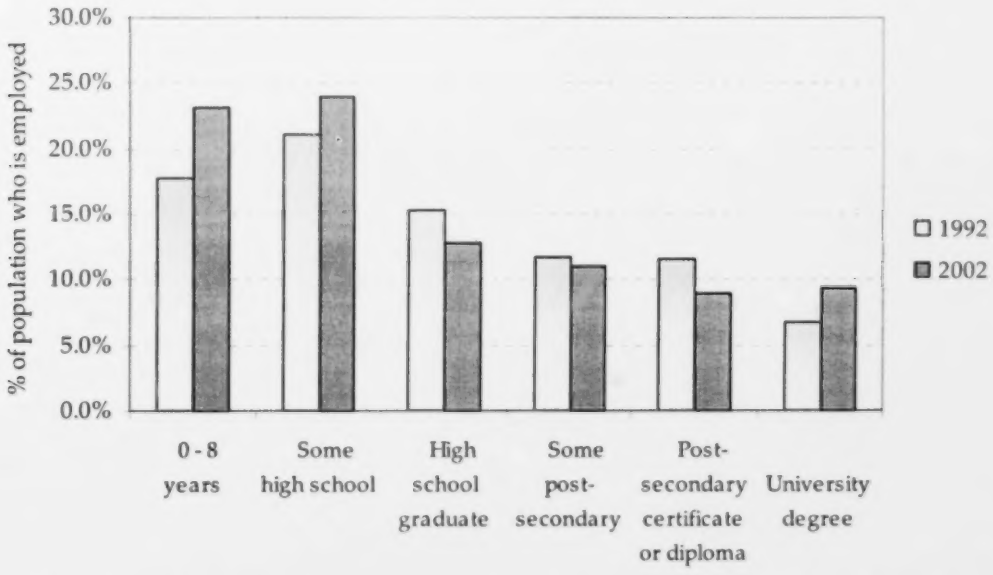


and Ontario, with the same trends playing out with youth unemployment rates. What is significant is that the gap between B.C. and Alberta has been increasing for the last 6-7 years. This is also being seen in a widening gap in employment rates, among both 15-19 year olds, as well as 20-24 year olds.

What effect does education have on unemployment?

While there is no cause-effect relationship confirmed, we do know that throughout the world, labour market success in terms of both employment and income, is highly correlated with higher levels of educational attainment. This is a phenomenon that is also observed in all other industrialized countries, and the policy response in most jurisdictions has been to encourage higher levels of participation in post-secondary among youth.

Unemployment Rates by Educational Attainment for BC Youth



Within B.C., youth unemployment rates are lower for those with higher education – the exception being those with a university degree who may just be starting their career, or still looking for a job. Furthermore, the unemployment rates have been dropping over the last decade for higher levels of education, and rising for those without high school.

How are youth faring in terms of income?

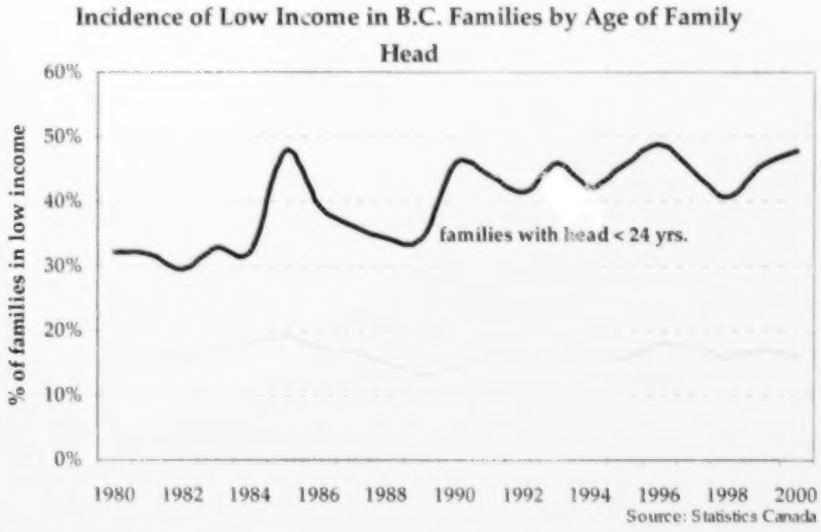
Employment or lack of employment ultimately plays a key role in determining income levels, and standard of living.

Youth are experiencing lower wages that average – in part due to the occupational distribution of youth being more in the service sector, and in part due to a higher incidence of part-time and casual work among younger workers.

Currently, the average weekly earnings of youth are less than half of those for workers of all ages. For all workers, median earnings in 2002 were $621 per week, compared with $270 per week for workers 15-24. Even taking adjusting for the high proportion of youth who work part-time, youth still earn substantially less than workers over 25. In 2002, youth who worked full-time had median earnings of $400 per week, compared with $731 for all workers.

- For those youth unable to find work, or unable to make sufficient money on which to live, this translates into demand for income assistance. Currently the youth caseload (19-24 years) is no longer experiencing the dramatic declines of 6 years ago – the caseload is now leveling off. Dependence on welfare among young people 19-24 is slightly higher than dependence among those 25-64 years of age.

Changes in the labour market opportunities to youth due to structural economic changes, and changes in the nature of work, are resulting in a widening inequality in terms of family income and wealth. An examination of family incomes in real terms, for families headed by young people 15-24 shows an alarming increase in the proportion with incomes below the Low Income Cut



Off (LICO). For many of these young families with low incomes, this impacts not only themselves, but pre-school aged children growing up in those households.

A recent study by Statistics Canada, confirms that younger families, particularly those with children under 18 experienced declines in both median and average wealth. Particularly affected are family units headed by new entrants to the labour market – young individuals and immigrants. In addition, families headed by those without a university degree lost ground relative to families headed by university graduates. Factors which are affecting this loss of ground in the area of wealth, include the increased duration youth are in school before they enter the labour market, greater debt load, and the boom in the stock market – as only the wealthier in the economy will be stockholders, their wealth has increased further due to greater dividend. Finally, the analysis suggests that easier access to credit may have resulted in lower income (and younger) families accumulating debt in order to finance consumption expenditure. This fact that an increasing number of young families have zero or negative wealth is a public policy concern, as there may be a significant number of families without accumulated savings to buffer them through an economic downturn or job loss.

Implications

As an increasing number of young families are living in poverty, the effects will not solely be on them but on the children growing up in those families. From research on the B.C. income assistance caseload, we know that children growing up in IA households are more likely than children who are not from IA households to come back on IA themselves – the rates are 4 times as high for young women, and up to 8 times as high for young men. The risks of poverty go beyond intergenerational dependence on welfare – these children are also more likely to drop out of school, and are also more likely to be involved in the Child Protection system. Approximately 70% of all Children in Care come back on Income assistance as young adults.

What solutions to youth unemployment have been tried in Canada?

In Canada, there has been a shift in the policy responses to youth unemployment over the last 1-2 decades, away from demand-side measures (such as direct job creation, tax incentives for employers, wage subsidies etc.), and a focus on supply-side measures (programs designed to improve the skills/employability of the individual). Within Canada, there has been a particular shift towards measures that encourage further post-secondary education, or that focus on school-to-work transitions.

This is, in part to the evidence from within Canada, and all other developed countries, that lower unemployment rates, higher earnings, are correlated with higher levels of educational attainment.

The problem with focusing exclusively on either demand-side or supply-side measures, is that they preclude the fact that youth are attempting to find employment in a dynamic, interactive market – where both supply and demand factors influence their ability to find work, and the amount of pay they can negotiate with a potential employer. To focus solely on demand measures does not permit flexibility to meet the needs of individuals, resulting in a small benefit to a lot of people. To focus solely on supply measures implies a "build it and they will come" philosophy, resulting in focused benefits to relatively fewer individuals. A balanced approach that factors in both sides of the labour market will be the most effective approach to youth unemployment.

Most provinces in Canada currently have some general types of programs and policies focused on youth:

- **Labour market training programs**
  - Programs aimed at getting graduates initial job experience (including self-employment)
  - Programs which are broader in scope, targeted at youth with multiple barriers to employment
- **Workplace and employer-sponsored training**. Unlike European countries, Canada does not have much in the way of corporate training programs, or entry-level workplace training for youth. In fact, there is a lower incidence of workplace training in Canada than in the United States. The programs currently in place are generally government sponsored, or jointly supported by employers and government (e.g. coop placements, internships, apprenticeships)
- **Minimum wage legislation.** Some provinces have a sub-minimum wage, or "junior rates" in place for youth. Policy changes re. minimum wage are generally focused on the notion that employment levels could increase if there were downward pressure on wages. The evidence re. the impact of minimum wage is mixed, and continues to be a source of debate. Currently, Alberta, Ontario and B.C. have differential minimum wages, although in Alberta and Ontario, it appears as though they are not widely used by employers.
- **Tax incentives/wage subsidies.** Not all provinces are using these measures to increase the hiring and training of youth. Generally, wage subsidies, rather than tax incentives are preferred (only Ontario offers a tax incentive). Overall, neither of

these strategies increases employment by enough to justify the cost, however, targeted programs have been shown to be successful in complementing social goals (e.g. focused on youth with multiple barriers)

- **Information and counseling.** Labour market information, career and employment counseling is acknowledged across Canada as an important support to the efficient functioning of labour markets. This has broadened out to include a range of information supporting training decisions, and transitions into and out of formal education. In Alberta and B.C., this has been integrated into the secondary school curriculum. There are, however, gaps and limitations, as the availability of these services has been focused on people in school, on EI, or on welfare. This leaves a growing segment of the population unable to access these services.

The impacts of youth employment programming are difficult to assess, as the programs themselves have changed over time, and the methods for evaluation have not compensated for changes in demand for young workers. The evidence to date shows mixed results – clearly there are some programs that appear to be working, although we still have not addressed the problems, and the persistent problems facing youth at risk are still outstanding.

We do know, however, that more successful programs have strong links to local labour markets. These links can range from on-the job placements through work experience, internship periods etc, to assistance with post-program job placement. These sorts of local arrangements help bridge the gap between labour supply and labour demand.

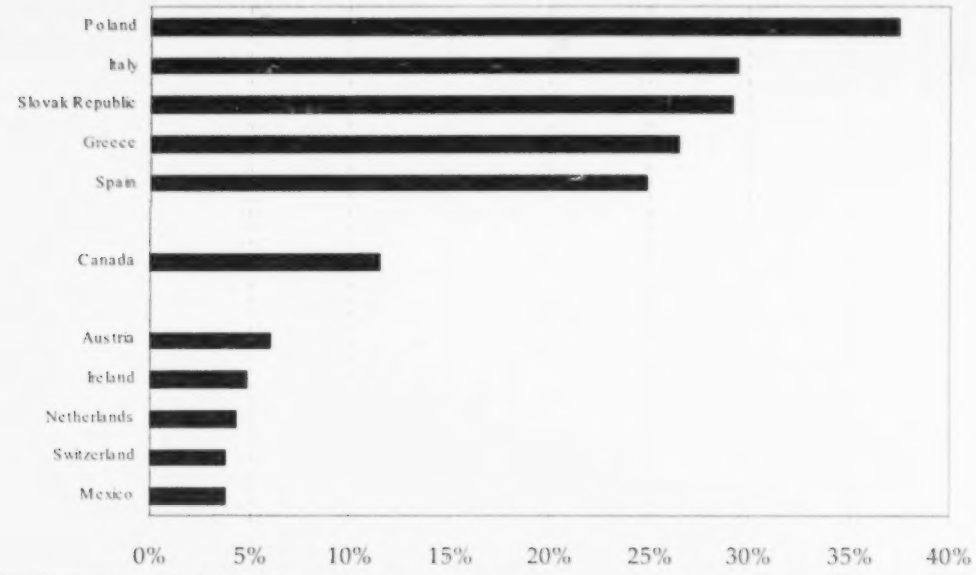
What is happening in other countries – Is Canada experiencing anything different?

The experience in Canada is not significantly different than most other developed countries. There, as in B.C., youth unemployment is higher than average, and is more sensitive the fluctuations of the business cycle. In some European countries, youth unemployment persists, despite the emergence of skills shortages.

Relative to the experience in most OECD countries, Canada falls somewhere in the middle.

The same patterns that affect youth in B.C. and Canada are emerging throughout the developed world: there is heterogeneity among youth that is difficult to address through standardized programming; employment is falling while unemployment is rising, income and employment inequality is rising within the youth cohort; and the problems appear to be concentrated among a core group of youth who are disadvantaged both socially and economically.

Unemployment Rates for youth 20-24 -- selected* OECD countries, 2000



*top 5, bottom 5 countries and Canada

What has been learned from the international experience is much the same as with youth programs in Canada – successful programming incorporates strong linkages with local employers. The "lessons learned" from these experiences, point to the following

- Maintain close connections with local labour markets
- Provide an appropriate mix and intensity of education and work-based training
- Provide high quality programming, whether it be basic skills or specific training
- Provide adequate opportunities for more education and training – short programs should have easily accessed linkages back into formal training at a later date.
- Provide a range of services focused on the individual need – childcare, counseling, placement services, assessment etc. Programs that do not include this component tend to have low completion rates.
- Evaluation and monitoring to ensure continuous improvement.

Glossary of labour market terms

Youth – persons between the ages of 15 and 24 years of age.

Employed – individuals who are in paid employment – this includes self-employed and temporary workers

Labour force – the total of individuals who are active in the labour market – this includes those who are employed, and those who are unemployed and looking for work.

Labour force participation rate – the proportion of the population that is in the labour force

Employment rate – the proportion of the population that is employed.

Unemployment – individuals who are not currently employed, but are looking for work

Unemployment rate – the proportion of the labour force that is currently unemployed

Sources:

- BCStats PEOPLE population forecast, regional population estimates
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- OECD, Giving Youth a Better Start, 1999
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- The Evolution of Wealth Inequality in Canada, 1984-99, Rene Morisette, Xueling Zhang, Marie Drolet, Feb 2002, Statistics Canada
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- The Quest for Workers: A new portrait of Job Vacancies in Canada, October, 2001.